

'Aatmanirbhar Bharat needs an Aatmanirbhar banking sector'

Bajaj Finserv's **SANJIV BAJAJ**, new president of the Confederation of Indian Industry (CII), has batted for allowing corporates into the banking sector. Talking on a range of issues with **Nikunj Ohri** and **Arup Roychoudhury**, Bajaj said that cutting petrol and diesel duties will spur consumption and demand. And, how the interest rate regime goes from here will determine India's FY23 GDP growth. He said that inflation will continue to hurt the margins of firms. Edited excerpts:

CII has given a range of GDP estimates for FY23 based on three oil price scenarios. In the scenario of 7.4-8.2 per cent, do you think growth may be closer to the upper end or lower end?

If you can tell me where oil is going to be, I can tell you the GDP growth rate. If it stays around \$100 level, then I think closer to 8 per cent is what we can look at. There are things we can tweak as well. While the interest cycle is changed now, what is the amount of interest rate that will go up and how much and how often it happens will also depend on how inflation is on the ground. Inflation is partly dependent on fuel prices. Our suggestion is that the Centre and the states have to cut taxes on fuel right now.

To what extent is inflation impacting margins?

While it differs from sector to sector, corporates' margins have partly got compressed in the last quarter or two

because input costs had started going up. That's why you're seeing some of it being passed on to customers. And that's why inflation is also picking up.

Do you think corporates should be allowed to participate in the bank privatisation process?

As India is going to grow, we need a larger, stronger and deeper financial services sector that will include banks, insurance companies and asset managers. It is for the regulators to decide the right way to do that. To build an Aatmanirbhar Bharat, we first need an Aatmanirbhar financial services industry.

RBI (Reserve Bank of India) already has a definition of who it would allow or not allow (in banking). I feel good quality players should be allowed. We are seeing many strong NBFs that have built good capabilities over the long term, have shown resilience. They could be encouraged to move towards a bank licence. On the other hand, what



is equally important is for RBI to build a discussion around what the future of lending looks like.

There have been hiccups in the privatisation process of public sector undertakings (PSUs) such as Central Electronics and Pawan Hans. Do you think the screening process should be

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made more rigorous?

We need a transparent, clear and consistent process that needs to be maintained. There may be some gaps that will need to be corrected. I believe in the intent of the government that it should not be in business.

Post foreign direct investment (FDI)

hike in insurance, do you think more needs to be done to attract foreign capital?

We still don't have a domestic financial sector that is strong enough to support India's growth opportunity. We have to also be cognizant of the fact that foreign capital will find the best risk-reward geography over a period of time. Capital may go out as well but it has to have a substitute by creating a strong domestic financial services industry.

What further financial sector reforms are needed in India?

We need to expand banking to increase financial inclusion. We have to take banking closer to people and digital tools can benefit. We need to provide capital to small and medium scale enterprises. With the government signing FTAs, we need to ensure that capital is easily available to companies. India needs a few large banks to strategically help large companies to become not only the manufacturing hub of the world, but build new capacities overseas also.

Exporters and trade have been impacted by the ongoing Russia-Ukraine war. What should the government do?

Some of these are bilateral issues that need to be resolved. Wherever possible, the government is working on rupee trade that will help in clearing payments. In any such situation, there are short-term impacts that need to be dealt bilaterally.

What is your view on the employment situation currently? Reports say millions have quit the workforce.

We have to keep in mind that that current situation really was driven by the pandemic. And that's why especially a large number of semi formal or informal urban jobs shut down. And it takes time for people to come back. So, we have to see what we can do to attract them back. Hardly any salaried jobs went down and are starting to go up.

The revival of private sector capex had slowly started happening. To what extent can it be impacted by the inflationary pressures which margins are facing?

What has happened in the last few years is that we did not go through a cycle of large private investment, because of the pandemic. So, capacity utilisation has been inching up. Where inflation is right now, you may see some reduction in demand.



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